

Research assignment into strategic management at cineworld plc



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As I have chosen Cineworld Plc as a suitable organization for carrying out my research. I am going to write my assignment as follow according to given tasks.

1. 1 Company background-history:

The Cine-UK business was founded in 1995 by a senior management team including Steve Wiener, the current Chief Executive. Since then, the team has been responsible for Cineworld's development from a start-up to one of the leading cinema groups in the UK - in terms of sites, screens and admissions. The cocompany operates a modern estate with 85% of the portfolio screens being built since 1996.

The management has pursued a clearly defined strategy of developing or acquiring cinemas in key locations that satisfy a number of strict criteria, including local population demographics and the proximity of other leisure facilities.

Cine-UK's first multiplex cinema was opened in Stevenage in July 1996.

Between 1996 and October 2004, the Group opened 34 multiplex cinemas, more than any other exhibitor in the UK, with an aggregate of 384 screens and an average of more than four new multiplexes per year.

In October 2004, the Blackstone Group, acquired the Cine-UK business from a consortium of private equity investors, with the management team reinvesting a proportion of their interests in the business.

Three months later, in December 2004, Cineworld completed the acquisition of UGC. At the time, UGC was the largest cinema operator in the UK after

Odeon UCI, with its aggregate of 408 screens in 42 cinemas. As a result of the acquisition, Cineworld became the second largest UK cinema operator, both in terms of screens and cinemas. All of the UGC cinemas have since been re-branded and now operate under the Cineworld brand. Following completion of the UGC acquisition Cineworld agreed to dispose of six specified cinemas to address concerns raised by the Office of Fair Trading.

Since the UGC acquisition, Cineworld has continued investing in its portfolio, opening an eight-screen multiplex in Bury St Edmunds in November 2005, an 11-screen multiplex in Cheltenham in March 2006, a new 5-screen multiplex in Didcot in May 2007, a 12-screen multiplex in High Wycombe in March 2008, and a new multiplex in Haverhill in October 2008 (with other new multiplexes scheduled to be opened later in 2008, 2009 and 2010).

(<http://www.cineworldplc.com/about-us/company-history/P1/>).

1. 2 Present position:

The Group currently operates 75 sites (including their newest cinema in Haverhill which opened in October 2008) of which 71 are multiplex sites with five screens or more

Our portfolio includes five out of the eight highest grossing cinemas in the UK and Ireland including the number one and two (Glasgow and Dublin).

In 2007, Cineworld accounted for 45 million admissions and had revenues of £285.3 million and an Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) before exceptional items of £52 million (excluding sites sold during 2007).

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(<http://www.cineworldplc.com/about-us>.)

1.3 Company mission/vision:

“ Our philosophy has been to provide a modern, clean environment that makes “ cinema going” a pleasurable experience, which in turn encourages frequent return visits. We aim to screen a wide choice of films, designed to appeal to a variety of age groups and to provide a high level of customer service across our range of products and services”.

1.4 Present objectives/Goals:

Cineworld currently having some objectives/goals, which they have to achieve for the prosperity of the company.

Introduce the availability of film content

Improve poor film scheduling

To convert into digital conversion

Use Alternative medias.

Update Advancement of technology

Compete with UK and global economic cycles

Produce the Availability of capital

Compete with new competitors

Safe to loss key management

Apply up to date Governance regulations and actions

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Introduce new technology for the safety of customers against Terrorism.

1. 5 Present strategies:

From the time the Cineworld Group was founded in 1995, the philosophy has been to provide a modern, clean environment that makes “cinema going” a pleasurable experience, which in turn encourages frequent return visits.

Auditorium space has been optimised, enabling the screening of a wide choice of films, all of which are designed to appeal to a variety of age groups and to provide the highest levels of customer service across an enhanced range of products and services.

Following the UGC acquisition, in 2004 Cineworld has pursued a strategy of maximising benefits from the combination of the Cine-UK and UGC businesses, and rolling out the best practices across its expanded portfolio of cinemas. Today, Cineworld has consolidated its position as one of the leading cinema groups in the UK, in terms of sites, screens and admissions by following strategies.

Growing box office revenue

Increasing retail spend per customer

Increase other revenue streams

Continuing to grow the estate through selective new openings, expansions and acquisitions.

(<http://www.cineworldplc.com/about-us/strategy/>)

Task 2:

2.0 PESTEL ANALYSIS:

Now in this part of my assignment as it is required to do PESTEL analysis for my chosen organization (as it is Cineworld Plc).

Basically PESTEL stands for Politically, Economic, Social, technological, Environmentally and Legal. PESTEL analysis is used by organizations to make strategies after analyse external environment in which they operates or will be operate. More over PESTEL analysis helps organisations to analyse only external environment not internal. (Please see appendix 1) for further information about PESTEL)

Now I am going to explain that how Cineworld would make its strategies by using PESTEL analysis.

Political:

Due to Political analysis I explain here how political technique will influence Cineworlds strategies. Cineworld's strategies will be affected due to the Global, national, regional, local and community trends. UK ' s current politician can affect Cineworld's strategies because politician can amend legislations, which will effects Cineworld strategies.

Cineworld Plc is adhering all political rules and regulations according UK legislations. I found from interview of one of the Cineworld's employee that to pursue these rules Cineworld have healthy and safety manager in Bradford site, who is managing 10 more sites around Bradford other than these there are all managers on all departments who make sure all rules are

being following. Cineworld paying there corporate tax in time that is why government is happy with their policies. They take care of the Employment laws of those areas where they work. So, political factors don't affect the Cineworld by providing them good services and facilities.

Economic:

Economical is also one of the PESTEL analysis techniques, which can aid Cineworld to make their up to date strategy. Economic technique used by Cineworld to see world, national and local trends, and changes to make the strategies after analysing external circumstances. Cineworld will also see its economic condition to make new strategies.

Cineworld has been a successful organization under all circumstances of economical factors. Economy normally effects the organizations but this is because of the strategy of the Cineworld, they are going high. They have helped the society of the specific areas where they work by giving them job and employing them in their organization. Workers not only come here, the trainers of the Cineworld Plc are training them all. Cineworld is also making new and new strategies, for example Cineworld is one of the top Cinema in UK which is showing highest Bollywood movies due to the high Asian population and this strategy makes Cineworld unique Cinema in the UK for this they also need to Asian employees which will help economically.

Social:

Social technique is also showing to Cineworld that how they can make their strategies by analysing how society and culture is developing. If people's behaviour is change toward watching movie then obviously Cineworld need

to change their strategies so that they can change public behaviour for watching more and more movies.

Socially Cineworld is showing especially children movies on Saturday morning this strategy makes Cineworld also unique from their competitors in the UK. They also show classical movies, which is mostly in on Saturday as well.

Technological:

Technological is the technique which Cineworld will use to development: computer hardware, software, application, other equipment material, products and processes etc, only to analyse external affects to make new strategies to compete in the market.

Technologically Cineworld is using up to date 3D technology Cineworld was one of the first buyer of that new innovated technology to facilitate the customers in the right and best way. It is always hard to use the new innovation but the management has those people in their staff who educate the rest of the worker to get the know how of that technology.

Cinewold's technology is far better than other competitors but less than IMAX because IMAX result on 3D is better than Cineworld, they have to improve this strategy.

Legal:

Before making any strategy Cineworld Plc also need to know not only U. K's legal implications but also worlds and European union, national legislation

changes and prospects as well. Legal issues can affect Cineworld's strategies for the development of the organisation.

Legally Cineworld is making strategies to showing movies separate for adult people like horror movies where under 18 year old children's are not allowed to watch those movies although Cineworld is not very strict but they are trying to strict.

Environmental:

Environmental technique will also use by Cineworld to make strategies after analysing external factors. Environmental analysis includes Global, European union, national, local issues, pressures and movements of the public and governmental sectors, environment also include public opinions as well, which will affect their strategies. These all will affect Cineworlds to make new strategies in the long or short run. For example if there is local issues such as strikes then Cineworld have to amend their strategy due to those factors.

Environmentally Cineworld are trying to encourage their customers to bring their glasses for watching 3D movies who have already seen once 3D movie, otherwise they might have to pay 80 pence for the glasses next time to watch that movie. This strategy they had to make because environmentally they were badly affecting due to substantial amount of glasses, which were being recycling.

2. 1 Porter's five forces analysis:

The five forces framework helps identify the sources of competition in an industry or sector. Porter's five forces framework was originally developed as

a way of assessing the attractiveness (profit potential) of different industries. (Johnson's, Scholes. K, Whittington. R. PP 78).

Same like this porter's five forces framework will help Cineworld Plc the sources of competition in an industry.

I am going to analyse Cineworld's competition in an industry through porter's five forces template, which was required to use from us. Please find below porter's analysis.

FIVE FORCES ANALYSIS -CINEWORLD PLC ANALYSIS

Force

Issues

Potential Impact

(Positive, Negative, No Impact)

Competitive Rivalry

e. g :- Number of Competitors, High Switching Costs

Industry growth rate may affect rivalry.

Negative

High fixed costs in an industry, perhaps through capital intensity.

Negative

Threat of New Entry

e. g :- Capital Requirements

Access to supply or distribution channels

Positive

Customer or supplier loyalty

Positive

Threat of Substitution

e. g:- Buyer Inclination

There could be product-for-product e. g., e-mail substituting for a postal service.

Negative

There may be substitution of need by a new product or service, rendering an existing product or service redundant.

No impact

Buyer Power

e. g:- Low Switching Costs

There is a threat of the supplier being acquired by the buyer and/or the buyer setting up in competition with the supplier.

Negative

There is a concentration of buyers,

Positive

Supplier Power

e. g:- Differentiation of inputs

The switching cost from one supplier to another is high.

Negative

There is concentration of suppliers rather than a framework source of supply.

Positive

2. 2 Stakeholders impact analysis:

Stakeholders are those individuals or groups who depend on the organisation to fulfil their own goals and on whom, in turn the organisation depends.

A stakeholder analysis is an approach that is frequently used to identify and used to identify and investigate force field formed by group or individual to achievement of the objective of an organisation. Stakeholder analysis find the way in which stakeholder may influence the organisation or may be influenced by its activities, as well as its attitude towards the organisation and its targets.

(http://www.12manage.com/methods_stakeholder_analysis.html)

Stakeholders impact analysis of Cineworld Plc I have analyse as follow.

Stakeholder Impact Analysis

Cineworld Plc

Stakeholders

Level of Interest

Level of Power

Type

Details

High

Medium

Low

High

Medium

Low

Primary Stakeholders

Employee

f^{1/4}

f^{1/4}

Share holders

f^{1/4}

f^{1/4}

Directors

f^{1/4}

f^{1/4}

Creditors

f^{1/4}

f^{1/4}

Investors

f^{1/4}

f^{1/4}

Secondary Stakeholders

Client

f^{1/4}

f^{1/4}

Bank

f^{1/4}

f^{1/4}

Union

f^{1/4}

f^{1/4}

Government

f^{1/4}

f^{1/4}

Supplier

f^{1/4}

f^{1/4}

f^{1/4}

2. 3 Strategic Objectives and Stakeholder Impact Analysis

Key Future Strategies of the Organisation:-

Business expansion in future.

Revelry competition.

Low level of gearing.

Target market expansions.

The benefit of engagement with Key Player Stakeholders (High Impact, High Interest)

Stakeholder I -Shareholders

Increase capital

Decentralized powers

Improve organizational strategies.

Stakeholder II – Directors

Better outcomes/ performance.

Achievement of organizational goals.

Better goodwill.

The risk of non engagement with Key Player Stakeholders (High Impact, High Interest)

Stakeholder I -Shareholders

Distribution of powers

Lack of capital.

Lack of organizational strategies.

Stakeholder II – Directors.

Better outcomes.

Loss of goodwill.

Loss of organizational achievements.

Task 3:

3. 0 Assessing the company's resources and competences:

For assessing the company's resources and competences I am going to use give template, which is as follow.

Core competencies are the activities that underpin competitive advantage and are difficult for competitors to imitate or obtain whereas threshold competences are the activities and processes needs to meet customers minimum requirements and therefore to continue to exist.

Unique resources that underpin competitive advantage and are difficult for competitors to imitate or obtain whereas threshold resources needed to meet customers minimum requirements and therefore to continue to exist.

3. 1 Analysing the Strategic Capability of an Organisation

Organisation:- Cineworld Plc

Strategic Capability

Ways to Build on the Competency/Resource

Competences

Core Competencies

Unlimited movie card

To create a loyal customer base and generate a fixed revenue during off-season.

Capability to provide better customer services and after-sale service.

designed to appeal to a variety of age groups and to provide a high level of customer service across Cineworld's range of products and services.

Threshold Competencies

Highest Bollywood movies showing Cinema.

To fulfil the Asian Customer demand (especially in Asian customer concentrated regions).

Movie for juniors

Better marketing and merchandising skills

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Resources

Unique Resources

Book ticket online by solo card and participate in free ticket lottery.

Marketing online.

E-mail marketing and send monthly magazine to registered customers

-

Cheap but good quality selling products.

Cineworld monthly pass and Bargain Tuesdays.

Cineworld's concessions for selling eatables and drinks.

Threshold Resources

Financial resources e. g., capital, cash debtors and creditors and suppliers of money (shareholders, bankers etc).

Through issues new share on right time for example

Labours and finance.

Through buying new plant and machinery and recruitment of new labour.

3. 2 SWOT Analysis:

A SWOT analysis will summarises the key issues from the Cineworld's Plc environment and the strategic capability of Cineworld that are most likely to impact on their strategy development.

SWOT stands for strength, weakness, opportunities and strengths of any organisation. Now I would like to analyse Cineworld's strengths as follow.

Strengths:

Cineworld's one of the great strength is its recent deal with NEC for expanding business that deal is as follow.

Cineworld agrees to double Digital Estate to capitalize on major 3D film releases this year. Cineworld plc (the " Company"), the UK's only quoted cinema chain, is delighted to announce that it has signed an agreement with NEC, to double the number of digital screens across its estate which is good strength for its success. The deal is to acquire 74 further digital projectors at a total cost of circa £4m, which is included the equipment and installation costs. By April 2009 Cineworld plans to have a total of 148 digital screens fitted and Operational across its entire estate, providing 1 in 5 screen with digital capability. In addition, this transaction will create the largest 3D estate of any cinema chain in the UK. Cineworld will use technology from Real D, the world leaders in 3D, in 144 of its digital screens enabling it to show 3D movies to 40, 000 customers at any one time.

Because Cineworld has only 75 sites but have 775 screens all around United Kingdom, So by average on every site there are 10 screen which are not too bad its mean Cineworld can give good Service to its customers from its existing sites as compare to its competitors.

After reading there recent interim report I found that Cineworld's management is fully confident for achieving best Cinema award and this management confidence is also great strength of Cineworld.

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Movies for junior is also one of the strength of Cineworld which they are showing for kids and this is only special offer exclusive to Cineworld cinemas and this strategy is establishing cinema going culture among the coming generation.

Weaknesses:

For the sake of Cineworld's weakness I personally conducted interview one of the Cineworld's employee. He told following weaknesses of Cineworld's Plc.

There is not proper performance management system in Cineworld at the moment but they are trying to make new strategies to cope this problem. Cineworld also don't have detailed plan yet due to this reason Cineworld should make new strategy to recruiter more sales people. Customer service staff has lack of proper training and for this purpose Cineworld recently started give proper staff training.

Opportunities:

Local competitors have poor quality screens as compare to Cineworld which is good opportunity for Cineworld Plc. Cineworld Plc also can extend their business to overseas as well which will also good opportunity for Cineworld Plc. Cineworld also could develop new products in the market for this Cineworld can introduce new web presence, the negotiable package includes additional online activity, inclusion in e-shot campaigns, an on-screen and in-foyer TV presence.

Cineworld is offering a chance for a selected brand to reach millions of UK cinema goers through brand exposure on its website. Cineworld has

appointed Filmology, the UK's first dedicated movie marketing company, to find a suitable sponsor. Cineworld has 74 cinemas throughout the UK and Ireland and its website, generates several hundred million page views per year which is also good opportunity.

Cineworld is also Sponsoring The Edinburgh International Film Festival which is also better opportunity for Cineworld Plc, which will enhance their goodwill in the market and draw new and rival customers.

Threats:

Because most of the sites of Cineworld is close to city centre where easy access to buses or trains stations due to this reason at the moment

Cineworld don't have its own parking facilities at the moment, which is big threat for Cineworld from its competitors.

Cineworld also need to vulnerable reactive attack by major competitors like IMAX.

It is also critical for Cineworld to retention of the key staff they need to make strategy, which can overcome this upcoming threat.

Terrorist attacks are also big threat for Cineworld Plc, they need to extra care and hire security for this threat and for this Cineworld is already focusing on security and they do not allow carrying large bags.

3. 3 Key factor of success

Success is an achievement and mission of an organization. Companies are successful when they get good profits in the market. Cineworld Plc is no

doubt one of the most successful organizations of the UK that has been earning profits in Millions. There are always some factors, which help the organizations to be successful and profitable organizations, which are as follow.

1). Money:

This is one of the most important aspects of the success of the business. If an organization wants to be a successful organization, it should have enough money involved in making the shape of good businesses. Sometimes, arrival of competitor becomes headache for the company. Sudden planning helps them to tackle the situation. The most important way is to low the prizes to attract the customers in Cinema.

2). Customer's satisfaction:

Customer satisfaction is also one of the key factors of success especially for Cineworld Plc where many arrival companies are in the market. If two or three identical products have the same kind of benefits but prices are different, customers, obviously, tries to take the product, which is the cheapest of all. This shows that prices are also the way which can solve the problem of the customers, as Cineworld Plc are providing services bit low prices as compare to rivals its obvious that customers are more likely satisfy with Cineworld.

3). Quality:

It has been mentioned many times in this assignment that quality should be the main part of an organization for their long lasting success. Most of the

customers don't compromise on quality. This is also a very important part of marketing mix.

Cineworld have no doubt a very good quality standard. They always serve the customers high standard products. This is one of the important areas of the success of Cineworld Plc.

4). Product or service development:

It is very necessary to keep the products and services up to date with the passage of time. If organizations don't bring innovation in their fields, they get ruined, so, products and services should be developed with the changing of time.

As Cineworld used to serve specific services to the customers but now they have become market giant in the field of leisure's industry by providing different kind of services according to the customer demands (like by providing inside shops etc).

Task 4:

Before creating new corporate strategies I would like to explain first of all, What is corporate and functional strategies are basically " Corporate level strategy is concerned with the overall purpose and scope of an organisation and how value will be added to the different parts (business unites) of the organisation" whereas functional level strategy is about how to compete successfully in particular markets".

As far as Cineworld is concern I would like to generate following two new corporate Strategies.

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To be best UK-based Cinema and also expand business to worldwide.

To understand customers better than competitors.

Following are some related functional strategies to implement above two mentioned strategies.

4. 0 Related functional strategies capability of the company:

1) National and international marketing strategy:

For the purpose of fulfilling first corporate strategy Cineworld needs to do national and international marketing to their existing customer groups and new customers better than their competitors. For this strategy Cineworld needs to appoint new Filmology (the UK's first dedicated movie marketing company) to find a suitable sponsor.

2) Profit maximisation strategy:

For the purpose of to become best UK-based Cinema and international expansion Cineworld also needs to raise maximum profit so that they can invest more to expanding their business and marketing as well. They can raise their profit by following few steps.

Growing box office revenue.

Increasing retail spend per customer.

Increasing other revenue streams.

Continue to grow the estate through selecting new openings, expansion and acquisitions.

3) Promote relevant qualifications for support staff strategy:

Developing a sector qualifications strategy for the school workforce. The strategy will:

Recognise skills and knowledge developed in particular roles

Enable support staff to build up a portfolio of units and qualifications allowing transferability of roles across the school and wider Cineworld workforce

Lead to more focused training and development opportunities in the future

Provide a foundation for increased status and fair reward, and

Be compatible with the integrated qualifications framework for the Cineworld's workforce.

4) 3D Screens expansion strategy:

For better understanding of customers needs as compare to their competitors I would personally recommend that Cineworld should introduce new more and more 3D Screens on their Sites because now a days mostly people like 3D films as compare to simple movies, but at the moment Cineworld has lack of 3D movie screens.

4. 1 Action Plans for implementing them:

For relevant action plans I would like to choose at least following three departments for implementing above mentioned strategies.

Marketing department.

Finance department.

Human resource department.

4. 1. 0 Marketing department action plans:

First action plan of marketing department would be a question like where we are?

Then action plans includes following.

If plan is lengthy then marketing department needs to know and divide budget specific for marketing purposes.

Marketing department needs to set numerical targets and time limits, so that they can quantitatively measure the results of implementing marketing plan. Action plan should be regularly assess progress during the year. constantly adjust goals to reflect changes in market condition. For example, to measure a promotion plan Cineworld need “ source” customers by asking them what drew them to our particular Cinema and by keeping track of how much money they spend.

Marketing department also need to contact with different media sources which are fast reliable and easy access to introduce their new services due to which, they can force new customers to come Cineworld instead going to anywhere else.

4. 1. 1 Finance department action plan:

Cineworld also need to raise maximum funds for implementing above mentioned two corporate strategies because its not easy task to become no

1 Cinema in UK and also expand their business around the world, so they need to do following action plans.

Cineworld need to improve their system of updating economic and fiscal projections.

Monitor compliance by department agencies with value-for-money framework.

Overseas evaluation of selected programme expenditure under their current availability of funds. (For expending the business overseas).

Cineworld also need to complete the new institutional arrangements for internal financial regulations.

Support the continuing development and long-term financial sustainability.

4. 1. 2 Human resource department action plan:

Human resource department is also very important department for recruitment qualified and professional employees so that they can deliver good quality services to their customer to make them happy, for this purpose Cineworld need to implement following action plan.

Commitment to modernisation and change.

Introduce properly team-working and cross-functional working.

HR department also need to make action plan for giving proper training to their employee from lower level to top level to compete with competitive rivals e. g. Odeon.

Open recruitment should also be one of the action plans for human resource department.

Competitive merit base promotions.

4. 2 Performance indicators to review and control the strategic plan:

The term KPI has become one of the most over-used and little understood terms in business development and management. In theory it provides a series of measures against which internal managers and external investors can judge the business and how it is likely to perform over the medium and long term.

Following are few key performance indicators for reviewing and controlling the above-mentioned strategic plans of Cineworld Plc.

Marketing department KPI

Target rating points.

Revenue

Cost of sale

Finance department KPI.

Net present value

Cost of capital

Human resource KPI

Staff retention.

Cost per employee for facilities.

Balance score card

References:

Books:

(Johnson's, Scholes. K, Whittington, R " Exploring corporate strategy" 7th edition, Pearson education limited, England.)

Journals:

Gumbus, A. & Lyons, B. (Nov. 2002). " The